



Log 376-S

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DPD 2136-60
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ELECTRONIC SYSTEMS

974 Commercial Street
Palo Alto, California
DAvenport 1-4175

March 10, 1960

REGISTERED - RETURN RECEIPT REQUESTED

TO:

 Contracting Officer

**CONTAINS SENSITIVE
COMPARTMENTED INFORMATION**

25X1

Reference: Contract SE-509 - Granger Associates Letter of 24 Feb 1960

Subject: Part VI - Price Redetermination

Gentlemen:

We were very pleased to meet with your representative here at our plant last week to discuss final price determination on subject contract. This discussion revealed that we are in agreement on the cost figures claimed of \$60,550.60. There is a difference, however, in the profit portion of our claim.

Your proposal that a profit equal to the contract target profit does not seem appropriate to us. As you will no doubt recall, we proposed this contract be established on a redeterminable incentive type fixed price basis. Although the formal contract was not specifically written that way, there was an indication on your part that in the redetermination procedure you would consider our performance, efficiency, economy and other factors in arriving at a fair profit that would provide an incentive to us.

25X1
25X1

Since our efforts have produced a successful product and at a considerable saving to the Government, we feel that an incentive profit factor is justified. If we had produced the items called for in the contract at the original contract target cost of our profit factor would no doubt have been the target profit. Our actual performance, however, resulted in a savings of \$15,800.00 on contract cost. This savings was a result of a conscious and determined management effort in controlling labor costs and, in general, performing in an efficient manner. We feel this extra effort and the resulting price reduction is deserving of an incentive profit factor.

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After reviewing our prior proposal and taking into consideration your comments, we are willing to reduce our profit request. As a result, we propose that total contract price be reduced from our previous figure of \$71,279.11 to a revised figure of

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SE-509 (Prop)

Contracting Officer
Price Redetermination - Part VI
March 10, 1960

\$69,350.60. This price will represent a considerable actual savings to the Government (contract target price was \$83,986.11, with savings amounting to \$14,635.51) and provides us with the target profit and a small incentive profit which we feel is justified. On this basis, the overall profit would amount to of target cost, and we feel this is a reasonable and just amount.

25X1

The credit of \$66.71 we indicated for residual material purchased for our own account would, of course, still be a deduction from the above figures.

We hope our proposal will be considered favorable to your organization. Please contact us if any additional information is required.

Very truly yours,

25X1

Vice President and
Treasurer

RJH:jb

Acceptable to us
JH